COMMONWEALTH OF MASSACHUSETTS BEFORE THE DEPARTMENT OF PUBLIC UTILITES

)	
Investigation by the Department of Public Utilities)	
on its own motion into Rate Structures that will)	D.P.U. 07-50
Promote Efficient Deployment of Demand)	
Resources.)	
	1	

INITIAL COMMENTS OF MASSACHUSETTS CHAPTER OF THE NATIONAL ASSOCIATION OF INDUSTRIAL AND OFFICE PROPERTIES

I. INTRODUCTION

The Massachusetts Chapter of the National Association of Industrial and Office Properties ("NAIOP") submits the following comments in response to the Department's request in the above referenced proceeding."

NAIOP is an advocacy, research and educational organization that represents the interests of companies that are involved with the development, ownership, management and financing of commercial properties. NAIOP has over 1200 members in the Commonwealth, representing nearly 400 companies that own or manage over 150 million square feet of office, research and development, retail, mixed use, and industrial space. Founded in 1967, NAIOP's 14,500 national members are involved in the development and management of industrial, office and retail properties throughout the United States and Canada.

II. EXECUTIVE SUMMARY

As discussed below, NAIOP believes that revenue decoupling will not address the high cost of electricity in Massachusetts. There are other more thoughtful and comprehensive ways to address utility revenues, as well as the Department's goal of promoting efficient deployment of demand resources.

III. COMMENTS

NAIOP is compelled to respond to the invitation for comment in the above referenced proceeding for several reasons. The first and overwhelming reason is the high cost of electricity in

Massachusetts. Energy costs generally, and electricity costs in particular, have significant ramifications for the development community. These costs have dramatic impacts on attracting and keeping tenants, and on sales, particularly in regard to manufacturing operations. Additionally, NAIOP members have identified lack luster service by utilities as an important and disruptive issue for the development community with sizable cost impacts. Both the high cost and service problems have negative overall economic impacts for the Commonwealth.

From this vantage point, the idea of providing guaranteed revenue as contemplated by "decoupling" is a non-starter regardless of the underlying rationale proposed in the order. Such a significant departure from traditional rate design and rate making is both unnecessary and counterproductive. NAIOP members work very hard to develop and maintain energy efficient properties. They do this with the expectation of satisfying their customers and saving money. Decoupling revenue for utilities means that some of those savings will disappear, reallocated to the guaranteed revenue stream of the serving utility paid for by consumers. Nothing will discourage action more than a reduction in cost saving expectations for energy efficiency programs. Decoupling is counterproductive in this sense.

Certainly, load serving utilities should be compensated for their just and reasonable costs with a fair return. However, this should not be automatic. Decoupling truncates the traditional rate making process and substitutes short hand review for more comprehensive and effective rate case proceedings. It may be that the utilities have reduced revenues as a result of public and private energy conservation efforts; but that potential situation does not suggest an automatic and guaranteed revenue stream from consumers as a way to encourage more efficiency. Rather, it suggests that utilities need to present their revenue case to the Department for a traditional rate proceeding where all costs, all income, and all operating efficiencies are considered together, along with an appropriate return on investment.

Such a balanced approach gets to the underlying revenue issues for the utilities and builds confidence among customers that they are being treated fairly and equitably. Decoupling fails to achieve these twin goals.

Energy, especially electricity, is undergoing significant examination as the Department's investigation illustrates. Due to costs and societal needs - such as regulatory and voluntary responses to climate change - large consumers are focusing on efficiency and demand reductions to do their share. They are committing resources to these changes. Like all providers of goods and services, including NAIOP members, utilities need to think anew and act appropriately.

Finally, there are a number of ways that electricity conservation and demand response can be accomplished. These solutions are far ranging from enhancing the existing utility based efficiency programs, making them more flexible and cost effective, to market based programs utilizing third party providers without utility participation, to totally separate state-run authorities, and combinations in-between. These notions, and others like them, need to be examined in a larger discussion than just decoupling. NAIOP would like to be part of that comprehensive discussion. Until that opportunity presents itself, the Department should focus resources on reviewing rate designs and rate cases that deliver adequate returns to the utilities commensurate with their obligations to deliver electricity for system reliability and customer service.

Thank you for the opportunity to submit these comments. NAIOP will monitor the proceedings in this investigation and will submit additional comments if the process so allows.

Respectfully submitted,

MASSACHUSETTS CHAPTER OF THE NATIONAL ASSOCIATION OF INDUSTRIAL AND OFFICE PROPERTIES

David Begelfer, CEO NAIOP MASSACHUSETTS 144 Gould Street, Suite 140 Needham, MA 02494 (781) 453-6900

Fax: (781) 292-1089 begelfer@naiopma.org